

Totaling \$10.2 Billion, Capital Investment in the Pittsburgh Region Reaches High Water Mark in 2016

*Royal Dutch Shell's \$6 Billion Investment Will Grow Petrochemical Industry in Region
Additional Billions in Investment Dollars Will Bring Critical Energy Infrastructure to the Region
Manufacturing and IT Are "Top Two" Most Active Sectors for Deals Announced in 2016*

(PITTSBURGH – April 6, 2017) – The Pittsburgh Regional Alliance (PRA) – in cooperation with its network of regional economic development partners – has tracked the largest-ever amount of capital investment: more than \$10 billion dollars across the 10-county Pittsburgh region during 2016. This news headlined the annual Business Investment Scorecard and regional economic development update presented today by the PRA, the economic development marketing affiliate of the Allegheny Conference on Community Development.

Big Investment is Bolstering Manufacturing, Leveraging Energy; Creating a New Petrochemical Opportunity

A banner year for capital investment tied to the region's legacy industries of manufacturing and energy is an affirmation of these sectors' vitality and ongoing importance to the regional economy.

Royal Dutch Shell's \$6 billion investment in a world-scale ethane cracker in Potter Township (Beaver County), Pa. is expected to be an anchor for an emerging petrochemical industry in southwestern Pennsylvania. This is the first such investment, outside of the U.S. Gulf Coast, in a generation, and the largest manufacturing deal in the Pittsburgh region in the same time. Shell plans to begin construction later this year, with completion expected early in the next decade. Once operational, the facility will produce about 3.5 billion pounds of polyethylene pellets annually.

"The table is set for the region's future by leveraging the combined impact of manufacturing and energy. Without the natural resource of the shale gas – for which this region once pioneered extraction – an ethane cracker would not have been a consideration," said PRA President David Ruppertsberger. "Now, with Shell's investment in the region, we'll be primed in a way we could not have previously imagined to further grow an industry – petrochemicals – that already has a foothold here."

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“Shell has sent a strong message to the global petrochemical industry about the greater Pittsburgh region being a strategic location for the kind of investment that has traditionally not been made in the Northeast U.S. The PRA and its regional partners are going to capitalize on this, support Shell in its construction efforts and work to build out the downstream supply chain and a petrochemical industry cluster in the greater region,” said Ruppertsberger.

Aside from Shell’s announced investment of \$6 billion bolstering the manufacturing sector, there was \$3.11 billion in announced investment in projects related to the region’s energy sector, including Tenaska’s construction of a \$785.2 million clean-burning natural gas-fueled electric generating station in Westmoreland County and Energy Transfer Partners’ \$1.5 billion natural gas liquids processing system, including a new pipeline network (which will begin in Butler County), plus construction of new cryogenic plant in Washington County.

A Total 245 Economic Development Deals Tracked in 2016

The 2016 scorecard, spanning five key sectors of the regional economy, records a total of 245 deals: 177 investments (attractions, retentions and expansions) and 68 infrastructure and brick and mortar real estate development projects.

11,000+ Jobs: New and Retained

The total job impact anticipated from the 245 deals announced in 2016 is 11,344: 5,761 new jobs and 5,583 retained jobs. For the consecutive years, total job impact has exceeded 10,000. Based on PRA market research and analysis, the average number of new jobs per each announced investment deal is 31.9. The greatest total job impact is expected to be found in manufacturing (3,667), healthcare and life sciences (2,893) and energy (2,288). The information technology and financial and business services sectors anticipate job impact totaling 2,059 and 839, respectively.

Manufacturing Continues to Flex its Investment Attraction Muscle

Manufacturing continues to be the most active sector for announced deals – the eighth time in the 10 years – with 50 projects. “The sector that once put Pittsburgh on the map as the maker of the steel that built much of the modern world, continues to show strength in spite of its history of 150-plus years and an ongoing evolution. Today, attractions or expansions in advanced manufacturing are focused on innovation-driven, high-efficiency environments – both newly constructed and existing facilities creatively adapted for re-use. Typically, facility footprints are smaller, and the workforce is proportionate. On the other hand, wages are growing for advanced manufacturing employees for whom skills in technology, engineering and math are job requisites,” said Ruppertsberger. The average annual wage for manufacturing employees – \$59,683 – is 12.5 percent higher than the average job in the region.

There are nearly 3,000 advanced manufacturing establishments in the region, employing 94,000 people. The sector has the most per capita value-add and a high multiplier effect across the economy.

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IT: Second Most Active Sector for Deals and Where High-Wage Jobs Are

For four consecutive years, the second most active sector for announced projects was information technology (IT). There were 39 deals, representing \$38.6 million in capital investment. This steady investment activity underscores that IT is holding its own as an economic driver for the region. The industry, which includes robotics, is a high-wage sector for the region's economy. According to PRA Market Research Director Jim Futrell, the average annual wage for IT employees is 60 percent higher than the average job in the region. "Between 2014 and 2016, annual wages in the sector grew by 4.6 percent, which is higher than the U.S. average of 3.8 percent," he said. The annual average wage paid by companies in the region's IT sector is \$84,100.

"Roboburgh" Gets a Recharge from an Emerging Robotics Hub

Six of the 39 IT sector deals announced last year were specific to robotics. All were in Allegheny County and represent \$14.2 million in capital investment. These deals are adding mass to a commercial robotics hub emerging in Pittsburgh, particularly in the city's Strip District, historically a center of warehousing and manufacturing near city center, now known locally as "Robotics Row." Some 20 firms and organizations – within a three-mile stretch – are working on robotics and autonomous technologies, including Uber at its Advanced Technology Center, a robotics/artificial intelligence-centered deal of 2016 that has put Pittsburgh in a global spotlight again and recharges the "Roboburgh" moniker, given to the city by the *Wall Street Journal* in 1999.

Healthcare and Life Sciences' Capital Investment Soars

There were 18 reported deals in healthcare and life sciences in 2016, which represent \$150 million in capital investment – the largest amount since 2011. A knowledge-based sector that was pivotal to redefining a regional economy once powered largely by the legacy industries of energy and manufacturing, healthcare and life sciences saw a modest increase in deals, up from 15 in 2015.

Projects related to significant capital investments include Excela Health's \$40 million Ambulatory Care Center in Latrobe (Westmoreland County); a \$30 million expansion by Mylan at its world headquarters in Washington County; a new \$22.7 million distribution center for Philips Respironics in Westmoreland County; and a \$15 million renovation by UPMC of Jameson Hospital in New Castle (Lawrence County).

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Despite Banner Investment, Energy Sector Deals Decline

Multi-billion dollar capital investments (Shell, Energy Transfer Partners and Tenaska) related to energy and/or manufacturing in 2016 aside, there was a drop in announced economic deals in the region's energy sector: 16 projects, down from 31 in 2015. Compared to a record high of 39 in 2011, three natural resource companies announced investments in 2016. Continuing the trend, energy-related manufacturing deals dropped by 50 percent – from eight to four. An overabundance of natural gas and low prices slowed investments, as did the fact that the upstream contingent in natural gas (rigs, wells), in region, is already in place, and the need for new or expanded establishments to provide support services – finance, legal, HR – to upstream activity has leveled off.

High-Value Financial and Business Services: Keeping Global Corporations Running

In 2016, there were 31 announced deals in the financial and business services sector – a decrease from 37 the prior year. Changing market conditions in the energy sector impacted financial and business services due to reduced energy-related investment and less demand for business support services –accounting, human resources and legal – by energy companies. Still, financial and business services is the largest employer among the region's key sectors, employing 230,000 people. It is also the largest contributor (23 percent) to gross regional product. "Our economy is driven by value-added sectors, of which financial and business services is a prime example. Regionally based companies in this space are producing and exporting the corporate support services that keep national and international corporations running," said Futrell.

Other Key Takeaways

- **Expansions dominate** activity on the 2016 scorecard: 104 deals (59 percent) involved expansions/retentions of existing regional companies
- **Attractions rebounded** – totaling 49, the third highest recorded and largest since 2011 when there was an influx of energy-related investment into the region; attraction/relocation projects accounted for 28 percent of all deals – the highest percentage on record
- **Startups increased** – 24, up from 20 in the previous year

Learn More

PittsburghRegion.org has up-to-date, data-driven insights into Pittsburgh region's economy and business investment, domestic and global, across southwestern Pennsylvania.

The PRA Business Investment Scorecard

Since 2007 the PRA market research team has tracked the announced capital investment and economic development deals across southwestern Pennsylvania, resulting in a snapshot of comprehensive activity in the region. The scorecard is an indicator of how the region is performing, year over year, and a metric for guiding a regional economic development strategy.

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